

# Jobs Council Backgrounder

## June 17<sup>th</sup>, 2013 10:00 a.m.

### Santa Fe, NM

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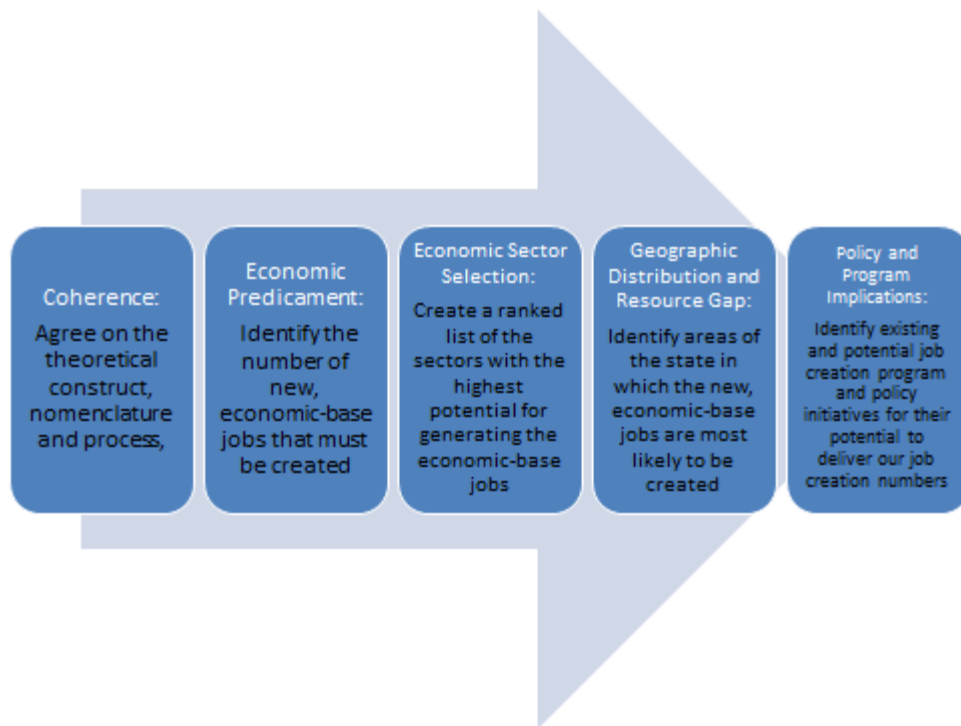
The program of work for the council is proposed to be conducted in six deliberative sessions, one each month from June through November. The sessions will be conducted with a framework and a logic string designed to enable a diverse group of interests to agree on an actionable set of program and policy recommendations.

For each session staff, contractors will produce a backgrounder with guidelines for deliberations.

The first session is designed to develop agreement on the goals, scope, intellectual framework and process for the council's deliberations. Economic Development discussions are notorious for being unwieldy and unproductive when participants fail to use a specific set of outcomes, a common intellectual construct and the right process.

#### Process Sessions:

1. **Coherence:** The Jobs Council will establish its goals and the process, methodology, theoretical framework and nomenclature it will use in determining actionable economic development priorities.
2. **Economic Predicament:** The Jobs Council will identify the number of new, economic-base jobs that must be created in the next 10 years in order to return to pre-recession job number levels.
3. **Economic Sector Selection:** The Jobs Council will create a ranked list of the sectors with the highest potential for generating the economic-base jobs goal set in the previous section
4. **Geographic Distribution and Resource Gap:** The Jobs Council will identify areas of the state in which the new, economic-base jobs on the ranked list from session three are most likely to be created. The Jobs Council will develop a matrix indicating: the target number of new jobs that could be created in each region or location; the major industry sectors in which those jobs would be classified; and the major impediments to each sectors; job creation, considering such factors as the quality and availability of workforce; the quality and presence of infrastructure; the amount of accessible capital; the tax and regulatory environment' and the quality and availability of real estate, marketing and sales programming.
5. **Policy and Program Recommendations:** The Jobs Council will identify existing and potential job creation program and policy initiatives for their potential to deliver our job creation numbers outlined in previous sections. (Policy and Program Recommendations may require two sessions)



## Program Backgrounder: *Coherence*

### **Purpose:** *What are we trying to achieve with this process?*

Develop clarity and unity around an economic development agenda to get the New Mexico economy to pre-recession employment levels by 2023.

**The Overarching Question:** What must we do, where, in order to have a chance at generating the minimum number of jobs necessary for statewide prosperity [E>P]?

### **Deliverables - Session Focus Questions From:**

- Session 1: Agreement on a framework format and process.
- Session 2: Agreement on the number of new jobs needed.
- Session 3: Agreement on the most promising economic base job creation sectors/transactions needed.
- Session 4: Agreement on the likely geographic distribution of new job creation with resource gaps defined.
- Session 5: A list of the programs, policies and initiatives (needed) to produce the job creation needed and the by which metrics to measure them.

### **Seminar Format/Guidelines:**

1. Digest the backgrounder and posit piece in advance of the session
2. Morning deliberations:
  - a. Quick read of the session questions & posit piece
  - b. Take early consensus poll
  - c. Presentations and Q&A by invited subject matter experts

- d. The group may amend the process in advance or revisit previous decision assumptions with approval from the program lead and the chair.
3. Afternoon
  - a. Consensus deliberations
  - b. Preview next session questions
4. Public Comment Period

Economic Development is too serious of a topic to be discussed without discipline. For this process to work, deliberations will be limited to topics directly related to the focus of each session. A list of off-topic issues will be developed for each session to help participants keep deliberations on topic.

### **Off-topic Issues for Session One\*:**

- Promising Economic Sectors
- Program and Project Ideas
- Policy Recommendations
- The quality of current in past economic development efforts
- Existing economic development program performance
- Business climate competitive position to other states
- New Mexico's place in national quality rankings
- Community development
- Rural versus urban issues
- Small business versus big business issues
- Poverty
- Unemployment
- Demographics
- Workforce issues – solutions
- Education issues – solutions
- Water issues – solutions
- Tax and regulatory issues – solutions
- Debt and equity capital issues – solutions
- Healthcare
- Retail services
- Immigration

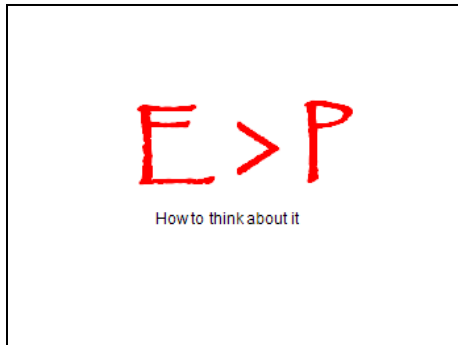
*\*Many of the issues listed will be the subject of future deliberations.*

## **Primer**

### **Conceptual Framework**

#### **What is Economic Development? $E > P$**

Economic development is about acting to ensure that the economy of your community or region (your income or savings) grows faster than your population (your expenses).



#### **Economy > Population**

This equation applies whether your community's population is expected to grow, shrink or remain the same. Any community where the economy is growing faster than the population, or the economy is shrinking slower than the population, will have more revenue per person to serve every year. In these cases, the households, local business

enterprises, charities, school districts, municipal and county governments should each have more revenue per person to serve than they had the previous year. Over time, everyone in town will have the discretionary investment income to finance their improvement agendas. Any community where the economy is growing slower than the population, or where the economy is shrinking faster than the population, faces the bleak prospect of serving more people every year with less and less revenue. In these cases, the only recourse is to cut services and/or raise taxes.

#### **There are three ways to grow a regional economy:**

1. Grow the economic base
2. Grow the service sector (reduce leakage)
3. Grow the net worth local residents

#### **There are five ways to grow the economic base:**

1. Increase number of economic base jobs
2. Increase productivity – increase wages for your economic base workers
3. Increase number of wealthy retirees
4. Increase the value of government transfer payments
5. Wait for windfall events, such as a spike in extractive commodity prices (agricultural, mining, oil and gas, etc.) or land and housing values.

#### **There are four ways to expand the service sector:**

1. Increase the range of goods and services offered
2. Increase the quality of goods and services
3. Reduce the costs (prices) of local services
4. Increase the productivity of service sector workers

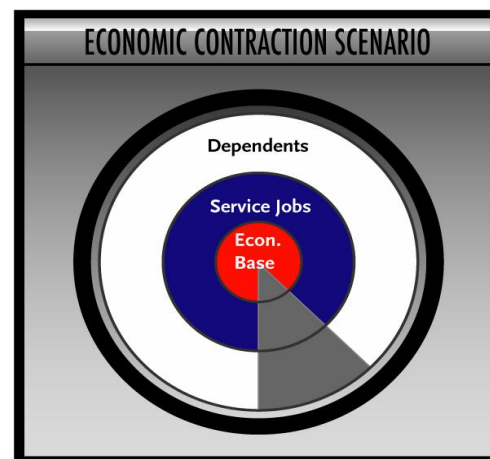
### How do local economies work?

For the purpose of discussion, it is helpful to think about the community or regional economy as having two kinds of jobs: income generating and income retaining.

1. **Income Generating - Economic base jobs or export jobs, community income producing jobs:** Those where the products and services produced by local residents are sold outside the state. Also, the local jobs that produce goods and services primarily sold to economic base enterprises for export. In addition, do not overlook the workers who are self-employed. The number of economic base jobs, their productivity and wage rates, are what determine the size of a community's economic pie, because they bring in most of the money on which the economy runs.
2. **Income Retaining - Non-economic base jobs, service sector or tertiary jobs, non-community income producing jobs:** those where local residents work to produce goods and services sold primarily to fellow residents or non-economic base enterprises. These jobs are important to the local economy, in a different way. The number and nature of these service sector jobs, profoundly affect how long the money brought in by the economic base employers circulates in the local economy, and how much goes into the local tax base, businesses, institutions and households. Communities that lack a complete spectrum of retail and commercial services, send local residents out of town to spend the community's economic base income much faster than those that do. Adding jobs in the service sector only helps if they produce the goods and services the community is currently going out of town to buy. Adding more fast food restaurants, for example, rarely helps to grow the economy or stop someone from going out of town to eat. It merely divides the community's fast food market, or slice of the economic pie, into smaller pieces. On the other hand, if the community has no general merchandiser, recruiting a Target, K-Mart or Wal-Mart would make the local economy bigger without necessarily increasing the economic base.

### Economic Contraction Scenario

In an economic contraction scenario, lost economic base jobs trigger cascading losses in service jobs, thereby diminishing the net worth of local residents and businesses and eroding the tax base.



### **Ways to Create Economic Base Jobs:**

1. Expand and retain existing economic base employers
2. Convert local service sector businesses into economic base employers by encouraging them to export
3. Start up or recruit new employers from outside the region
4. Start-up or recruit independent and self-employed workers from outside the region
5. Convert independent and self-employed workers to economic base by encouraging them to export

## **Session One - Focus Questions**

### **Decisions Required**

#### **The Overarching Question**

**What must we do, where, in order to have a chance at generating the minimum number of jobs necessary for statewide prosperity [E>P]?**

#### **1. Defining Economic Development ( $E > P$ )\***

Before embarking on an economic development strategic planning process it is vital that a common definition for economic development be adopted. In this instance, we defined economic development as a verb describing actions the community takes to grow the economy, specifically the economic base of the economy of New Mexico, faster than its population. When the economy grows faster than the population the county's households, business enterprises, school systems, local governments and institutions will have more revenue per person to serve than they had the year before.

#### **2. Rationale for Planning**

##### **Why go through the brain damage of trying plan a future economy?**

If we don't there is virtually no practical way to organize the State's limited discretionary resources in areas with the best chance to move the needle. Without a minimum level of bi-partisan-multi-regional consensus on a "common strategy" economic development efforts at the state and local level will remain.

#### **3. Logic Model (5-Step Process)**

(1) Coherence, (2) Predicament, (3) Economic Base Sectors, (4) Geographic Distance and Resource Gaps, (5) Programs and Policy Implications

#### **4. Program Ambition - Philosophy**

##### **What level of influence or ambition do we aspire to exert?**

##### **Choices**

- Strategic-predictive – we design and develop a specific economic future
- Tactical-opportunistic – Primarily, we prepare for and react aggressively to economic-base opportunities as they come.
- Factors of production management - we endeavor to manage the primary factors of production in favor of our economic base employers.
- Community development – We focus primarily on developing and maintaining a spectrum of amenities and community quality attributes designed to make us a compelling place for workers and employers.

- Libertarian good government – We provide basic public services at the lowest cost without playing favorites.

## 5. Planning Horizon

**What is the planning time horizon?**

**Short-term 1-3, Mid-term 3-5, Long-term 5-10+**

Deliberations and the plan must be focused on a specific time frame. Economic development strategies typically take 5 to 7 years from conceptualization to actually moving the needle on the intended economic and social metrics.

## 6. Primary Planning Metric\*

**What is our primary program metric: Jobs, Income or Investment, Economic base jobs?**

It is important early on in the process to decide whether to focus on and measure total jobs created, economic base jobs created, jobs saved, citizen net worth, dollars invested in plant and equipment, dollars of new payroll, local enterprise receipts, tax revenue generated, unemployment rate, etc. For purposes of this plan we are focused on the creation of net new economic base jobs, that is, the particular number of **economic base jobs** the state must create each year in which employment sectors in order to become prosperous.

## 7. Impact Threshold Criteria (Moving the Needle)

**What job creation areas are essential and of highest impact?**

In addition to the focus on economic base jobs as both high impact and essential, the process will attempt to focus developing a priority list employment sectors capable of delivering “The Number” and try to isolate the factors of production gaps that have to be remedied for the targeted jobs to be created.

## 8. Common Sense Standard

**How do we project population, jobs needs and most promising employment sectors in such an uncertain and slow growing economy?**

Since we are focused exclusively on finding the big, short term, but for economic base job creation strategies, we will try to reserve any deep dives for granular data for latter sessions. We believe that council members, contractors, staff and subject matter experts will be able to get to the small basic conclusions on most questions without the belief of long technical analytical briefings.

## 9. Statewide Impact Focus

**Statewide, Planning Districts, Workforce Districts, or Other Jurisdictions?**

After identifying the best employer sector bets for moving the needle statewide, it will be important to consider where these jobs will most likely be created and what specific gaps in factors of production will need to be addressed.

## 10. Comprehensive

It is important that we look beyond conventional Economic Development program areas and include sectors such as: Tourism, Agriculture, Healthcare and Independent Workers. Sectors often omitted from state and local economic base calculus.

*\*Further clarification of the conceptual framework, nomenclature and process thinking is provided as an appendix of this background piece – Entitled Conceptual Framework (Primer)*